



**DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
CAPE GIRARDEAU VETERANS' HOME**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-61
August 27, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of
Missouri State Auditor
Claire McCaskill

August 2004

The following problems were discovered as a result of an audit conducted by our office of the Department of Public Safety, Missouri Veterans Commission, Cape Girardeau Veterans' Home.

The Cape Girardeau Veterans' Home Foundation Board is a not-for-profit organization which raises private funds to benefit residents of the Cape Girardeau Veterans' Home. Donations, as well as canteen and vending machine proceeds, are used for this purpose. A review of purchases noted some expenditures did not appear to benefit the residents. During 2002 and 2003, \$19,533 was spent for costs related to volunteer banquets and staff recognition awards, including \$15,734 for employee recognition and retention and \$3,799 for volunteer banquets. In addition, board approval was not always noted on purchases over \$500 that were not for canteen operations or donor specified purposes.

Residents, employees, and visitors may all purchase items from the vending machines owned and operated by an independent vendor. The facility receives commissions from the vendor and deposits these into a separate fund within the Foundation Board. These monies are used for employee recognition awards, flowers for staff members, the annual staff picnic, and the annual employee Christmas party. As a result, these expenditures do not appear to benefit the residents. Recent audits of other homes noted that vending machine profits at those homes are deposited in the Assistance League accounts to be used for the benefit of the residents. To ensure consistency with other homes operating in the state, vending commissions should be used for the benefit of the residents.

The approval of the facility administrator or department head was not documented for some expenditures. 50 percent of invoices tested did not have the approval of the department head or administrator noted on the purchase requisition.

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YELLOW SHEET

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
CAPE GIRARDEAU VETERANS' HOME

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Charles R. Jackson, Director
Department of Public Safety
and
Missouri Veterans Commission
and
Jan Rau, Administrator
Cape Girardeau Veterans' Home
Cape Girardeau, MO 63701

We have audited the Department of Public Safety, Missouri Veterans Commission, Cape Girardeau Veterans' Home. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2004 and 2003. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.
2. Review compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the facility, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and was not subjected to the procedures applied in the audit of the facility.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Public Safety, Missouri Veterans Commission, Cape Girardeau Veterans' Home.



Claire McCaskill
State Auditor

July 27, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Luetkemeyer, CPA
In-Charge Auditor:	Heather M. Thompson, CPA
Audit Staff:	Jennifer Martin

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
CAPE GIRARDEAU VETERANS' HOME
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Foundation Board Fund

The Cape Girardeau Veterans' Home Foundation Board is a not-for-profit organization which raises private funds to benefit residents of the Cape Girardeau Veterans' Home. Donations, as well as canteen and vending machine proceeds, are used for this purpose. The Foundation is governed by a board of directors. As provided for in the Foundation Board by-laws, the facility's administrator and chief accountant (Assistant Treasurer) are the custodians of the foundation's assets, and have the authority to make purchases related to canteen operations or for donor specified purposes. In addition, the Treasurer, Facility Administrator, and Assistant Treasurer shall prepare and present a budget for adoption by the Board prior to the annual January meeting. The Assistant Treasurer shall also prepare and distribute a Treasurer's report consisting of a detailed account of all receipts and disbursements along with a summary report of these transactions prior to each regular Board meeting. In addition, the Treasurer and Assistant Treasurer shall prepare and present a full financial statement of the year and make available for audit a record of receipts and disbursements. Because of the fiscal and managerial responsibilities that state employees have assumed for the Foundation Board, we reviewed the Board's records and procedures and noted some areas where improvements are needed.

A. The Foundation Board purchases items to sell through the canteen, coordinates and pays for events and activities for residents, and purchases items for common areas located in the facility. The Foundation Board's by-laws provided that expenditures from the Board's assets should benefit the majority of the residents and that checks for non-canteen expenses over \$500 be approved by the Board. A review of purchases noted:

- 1) Some expenditures did not appear to benefit the residents. For the period from January 2002 through December 2003, \$19,533 was spent for costs related to volunteer banquets, staff recognition awards, including \$15,734 for employee recognition and retention, and \$3,799 for volunteer banquets. It should be noted that in March 2004, the bylaws were amended to provide funding for the recognition of caregivers who "greatly affect the moral and social well being of the residents".
- 2) Board approval was not always noted on purchases over \$500 that were not for canteen operations or donor specified purposes. We noted 96 of 150 expenditures over \$500, during the period July 2001 through March 2004, totaling \$258,845, lacked the required approval by the Board. The

Accountant indicated verbal approval had been given by the Board; however, no documentation of the board authorization was maintained.

- B. The Foundation Board's by-laws provide that the custodians of the assets should make every reasonable effort to ensure the wishes of the donor are complied with and should notify the donor if those wishes cannot be accommodated. Although not specifically outlined in the by-laws, board records and practices have been developed so that unspecified donations are to be credited to the general account within the Foundation Board Fund and used for any purpose as determined by the fund custodians or the board. The by-laws provide for the facility administrator and chief accountant to serve as custodians of the Foundation Board's assets. Our review of the accounting procedures noted the chief accountant was assigned the task of accepting donations, recording the information in the board's records, and forwarding the information to the facility's supervisor of volunteer services. The facility's supervisor of volunteer services was assigned the task of documenting the purpose of the donations and sending a letter to the donor in recognition of the gift. A review of 25 donations received during the period July 2001 through March 2004 found that for 19 (approximately 76 percent), totaling \$4,396, the facility could not provide documentation of the donor specified purpose. The facility's supervisor of volunteer services indicated copies of donation checks and donor letters documenting the purpose of the donations are retained for one year then discarded.

Considering the provisions of the by-laws, documentation of the donors' intentions should be retained.

- C. Residents, employees, and visitors may purchase items from the vending and beverage machines owned and operated by independent vendors. The facility receives commissions from the vendors and deposits these into a separate fund within the Foundation Board account known as the Caregiver's Fund. The fund received approximately \$1,053 from the vending machine commissions and \$6,351 from the beverage sales, for the period of January 2002 through December 2003. These monies are used for employee recognition awards, flowers for staff members, the annual staff picnic, and the annual employee Christmas party. As a result, these expenditures do not appear to benefit the residents.

Recent audits of other homes (including Mt. Vernon, St. Louis, and St. James) noted that vending machine profits at those home are deposited in the Assistance League accounts to be used for the benefit of the residents. To ensure consistency with other homes operating in the state, vending commissions should be used for the benefit of the residents.

WE RECOMMEND:

- A.1. The Foundation Board ensure that all disbursements benefit the residents.
 - 2. The Cape Girardeau Veterans' Home ensure compliance with the expenditure approval process outlined in the by-laws.
- B. The Foundation Board ensure donor wishes are clearly and thoroughly documented and retained.
- C. The Cape Girardeau Veterans' Home credit vending machine commissions and beverage sales to the general fund within the Foundation Board account to ensure that vending machine profits benefit the majority of the residents.

AUDITEE'S RESPONSE

- A.1. *The Cape Girardeau Veterans Home Foundation maintains that funding utilized by the Foundation to support volunteer and employee recognition events is appropriate and consistent with Foundation objectives. The Foundation formally endorsed supporting volunteer and employee recognition activities as essential parts of its overall goals. Records of these endorsements can be found in the Foundation Board meeting minutes. Also, permanent changes to the bylaws were made in Spring 2004 to ensure no confusion exists as to the organization's support of these two objectives as essential to the organization's primary goal of benefiting the quality of life of the veterans living at the Cape Girardeau Veterans Home. The bylaw referenced is Article I, Section C.1.; "To promote, advance and provide for the social, moral, physical and educational well being of the residents of the Missouri Veterans Home located in Cape Girardeau, Mo. This would include providing funding for the recognition of resident caregivers who can greatly affect the morale and social well being of the residents."*
- A.2. *The approval process will be followed as outlined in the Board bylaws for purchases exceeding \$500.*
- B. *The Foundation Board works to ensure that donor wishes are clearly and thoroughly documented and retained. Due to an office move, some records of donor checks for fiscal years 2001-2003 were destroyed. However, records are currently being retained to document donor wishes.*
- C. *Crediting vending machine commissions and beverage sales to the Caregivers Enhancement Fund is in agreement with the Foundation Board decisions to support both employees as well as residents.*

2.**Expenditures**

The approval of the facility administrator or department head was not documented for some expenditures. Fifteen of 30 (50 percent) invoices tested did not have the approval of the department head or administrator noted on the purchase requisition. In addition, the receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. Three of 42 (approximately 7 percent) invoices tested did not indicate if goods or services were received.

Proper review and approval by the administrator or department head is required by the facility's policy and is necessary to ensure all disbursements represent valid operating costs of the facility. Failure to properly review requests and document such approval increases the possibility of inappropriate disbursements occurring. Additionally, the documentation of the receipts of goods or services is necessary to ensure the facility actually received the items or services.

WE RECOMMEND the facility ensure all invoices have documented authorizations before being coded into the statewide accounting system. We also recommend the facility ensure the receipt of goods or services is indicated on invoices prior to being approved for payment.

AUDITEE'S RESPONSE

Current procedures for purchasing at the Home include department heads creating electronic purchase requisitions. Department heads are the only persons authorized to access the purchase requisition system. The department head's name is included on the purchase requisition, and the purchase requisition is sent electronically to the purchasing officer. The purchasing office only accepts purchase requisitions approved by department heads. After the items ordered are received, the receiving document is signed by the storekeeper and the person receiving the order. When inventory items are received, they go into the storeroom and are signed for when they are issued to a specific department. When the invoice is received, the signed purchase requisition is attached to the invoice for payment. The Home plans to continue this practice.

During fiscal years 2001 and 2002, there was a transition of administrators at the home. Many of the invoices tested were during this time period, and the appropriate administrative approval was not available. The Home is currently requiring written approval of non-routine invoices by the administrator.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
CAPE GIRARDEAU VETERANS' HOME
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Cape Girardeau Veterans' Home is a 150-bed nursing home care facility, providing care to Missouri veterans who are unable to support or adequately care for themselves. The facility was completed in June 1990, with the first resident being admitted on June 25, 1990. Residents of the facility are provided room, board, medication, therapy, personal care, and recreational and religious activities. The cost is shared by the resident, based on ability to pay, the Federal Veterans' Administration, and the state's General Revenue Fund.

The Cape Girardeau Veterans' Home Foundation Board, a not-for-profit corporation, was formed on May 12, 1990, to receive donations to be spent for the benefit of all the residents of the facility. The Foundation Board also funds the canteen operations.

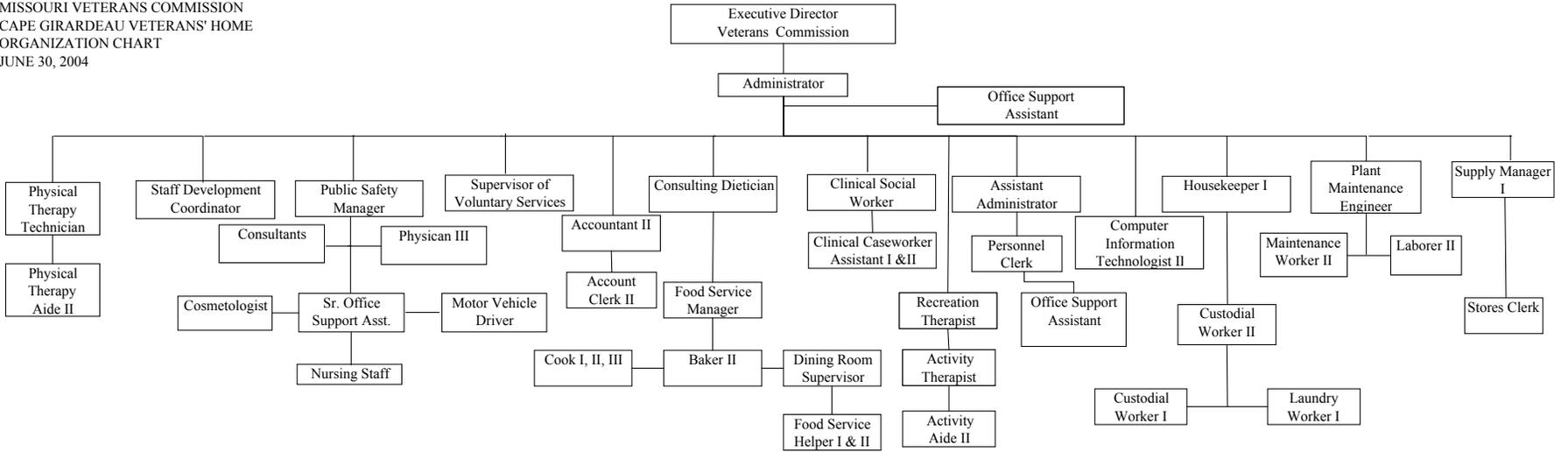
The Missouri Veterans Commission operates seven homes for veterans of the state. The homes are located in St. James, Mount Vernon, Mexico, Cape Girardeau, Cameron, Warrensburg, and St. Louis. Members of the Missouri Veterans Commission, as of June 30, 2004, include:

<u>Members</u>	<u>Term Expires</u>
Emmett E. Fairfax, Chairman	November 2, 2005
Carson Ross, Vice-Chairman	November 2, 2004
Bernadette Miller	December 11, 2004
Charles H. Niewoehner	November 2, 2005
Arvid E. West, Jr.	November 2, 2006

As of June 30, 2004, the Cape Girardeau Veterans' Home employed 186 full and part-time employees. These employees were assigned to various administrative and service sections. Jan Rau assumed the position of Administrator on December 8, 2002, and currently serves in that capacity.

An organization chart and statistical data follow:

DEPARTMENT OF PUBLIC SAFETY
 MISSOURI VETERANS COMMISSION
 CAPE GIRARDEAU VETERANS' HOME
 ORGANIZATION CHART
 JUNE 30, 2004



DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
CAPE GIRARDEAU VETERANS' HOME
STATISTICAL DATA

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
RESIDENTS	143	144
OCCUPANCY		
Total number of beds	150	150
Average daily census	142	143
Bed occupancy percentage	95%	95%
RESIDENT COST		
Total resident costs	\$ 7,063,077 *	6,635,591 *
Total resident days	<u>51,830</u>	<u>52,195</u>
Average Daily Resident Cost	\$ <u><u>136</u></u>	<u><u>127</u></u>

* These cost amounts include employee fringe benefits, whereas the salary and wage expenditure amounts on Appendix A do not. In addition, these amounts do not include property and improvement expenditures, whereas Appendix A does include these expenditure amounts.

Appendix A

DEPARTMENT OF PUBLIC SAFETY
 MISSOURI VETERANS COMMISSION
 CAPE GIRARDEAU VETERANS' HOME
 COMPARATIVE STATEMENT OF EXPENDITURES (BY BUDGET OBJECT)

	Year Ended June 30,	
	2004	2003
Salaries and wages	\$ 3,926,607	3,808,789
Travel:		
In-State	12,575	16,962
Out-of-State	1,996	0
Fuel and utilities	183,687	181,214
Supplies	1,187,174	1,026,234
Professional development	13,399	12,369
Communication services and supplies	26,616	26,707
Services:		
Professional	29,607	43,187
Housekeeping and janitorial	12,752	8,016
Maintenance and repair	39,599	39,691
Equipment:		
Motorized	10,582	0
Computer	2,409	167
Office	33,753	29,028
Other	48,100	30,475
Property and improvements	297,755	113,309
Building lease payments	264	172
Equipment rental and leases	13,863	16,035
Miscellaneous expenses	674	755
Total Expenditures	\$ <u>5,841,412</u>	<u>5,353,110</u>

Appendix B

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
CAPE GIRARDEAU VETERANS' HOME
MISSOURI VETERANS' HOME FUND
COMPARATIVE STATEMENT OF RECEIPTS

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Payments from Veterans	\$ 2,553,429	2,358,313
Veterans Administration Per Diem	2,990,461	2,897,738
Other	21,014	24,497
Total Receipts	<u>\$ 5,564,904</u>	<u>5,280,548</u>

Appendix C

DEPARTMENT OF PUBLIC SAFETY
 MISSOURI VETERANS COMMISSION
 CAPE GIRARDEAU VETERANS' HOME
 AUXILIARY FUNDS
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,			
	2004		2003	
	Residents Fund	Foundation Board Fund	Residents Fund	Foundation Board Fund
RECEIPTS				
Residents' deposits	\$ 2,767,043	0	2,621,386	0
Donations/sales from canteen	0	384,126	0	268,204
Total Receipts	<u>2,767,043</u>	<u>384,126</u>	<u>2,621,386</u>	<u>268,204</u>
DISBURSEMENTS				
Residents' withdrawals	2,862,008	0	2,587,649	0
Benefit of residents/cost of goods sold	0	348,466	0	220,115
Total Disbursements	<u>2,862,008</u>	<u>348,466</u>	<u>2,587,649</u>	<u>220,115</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(94,966)	35,660	33,737	48,089
CASH AND CASH EQUIVALENTS, JULY 1	<u>226,120</u>	<u>292,872</u>	<u>192,383</u>	<u>244,783</u>
CASH AND CASH EQUIVALENTS, JUNE 30	\$ <u><u>131,155</u></u>	<u><u>328,532</u></u>	<u><u>226,120</u></u>	<u><u>292,872</u></u>